



STATE FISCAL  
ACCOUNTABILITY  
AUTHORITY

# **Insurance Reserve Fund**

**Flood Impact  
November 5, 2015**

# About Us

- **The Insurance Reserve Fund (IRF) is a division of the State Fiscal Accountability Authority**
- **Functions as a governmental insurance operation**

# About Us

- **Operates like an insurance company**
  - Issues policies
  - Collects premiums (based on consultation with actuaries)
  - Pays claims from premiums collected in accordance with the terms and conditions of the policies it has issued

# Insured Entities

- **State agencies**
  - Required by statute to purchase insurance from IRF
- **Counties, school districts and other political subdivisions**
  - Have the option to insure with IRF
  - If purchase any coverage from IRF, must purchase all coverage from IRF

# Insured Entities

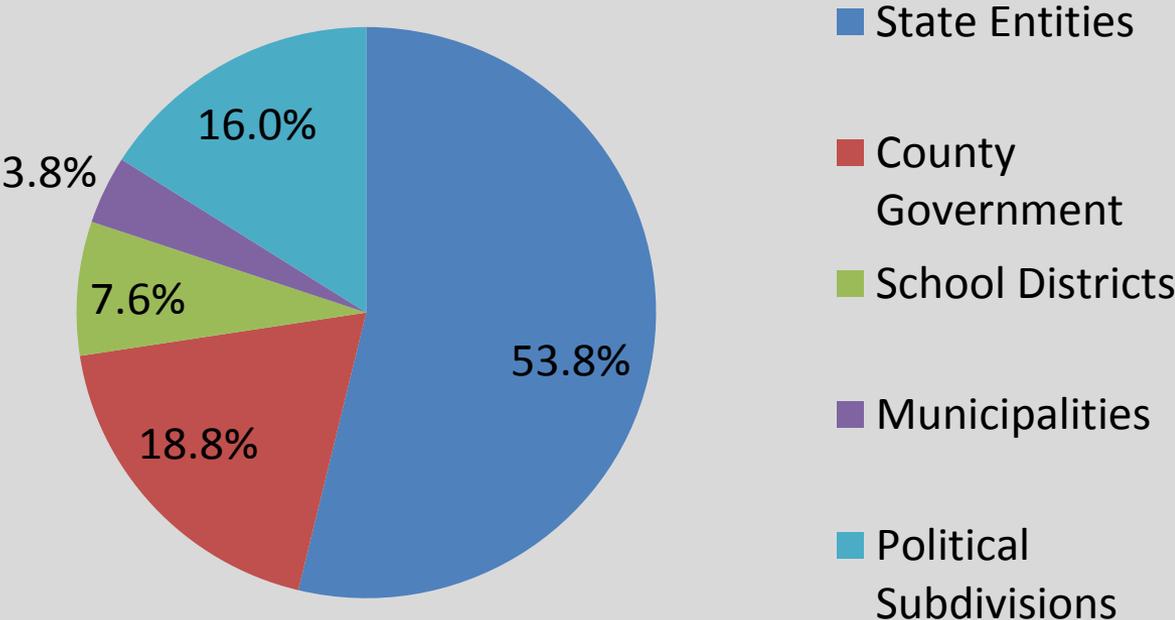
Entity Type	Insured by IRF	Insured by IRF
State	All	100%
Counties*	26 out of 46	56.5%
School Districts**	9 out of 81	11.1%

\* IRF insures some county-related organizations when it does not insure the county itself. For example, IRF does not insure Richland County, but it does insure Richland County Recreation Commission and Richland County Library.

\*\* IRF insures some charter schools which it does not consider a school district

# Insured Entities

## IRF Book of Business



\*IRF Property policies total insured value (TIV)

# Property Insurance

- **IRF insures against direct physical loss for buildings and personal property owned by the insured**
- **IRF attaches flood coverage to each property policy it issues**

# Property Reinsurance

- **IRF Purchases property reinsurance to protect its financial solvency in the event of a weather catastrophe – like the flood of 2015**

# IRF Liability

- **Self-Insured Retention (SIR)\***
  - \$10 million per occurrence – or -
  - \$15 million in annual aggregate
  - 2015 flood counts as a single occurrence

\* SIR - IRF's participation in a loss; similar to a deductible

# Claims Process

- **When an insured reports a loss, IRF**
  - Establishes a claim
  - Sends an independent adjuster to inspect the property and begins to evaluate the loss
  - Communicates with independent adjuster to understand the scope of the loss

# Claims Process

- **After the amount of the loss is determined**
  - IRF prepares a *Proof of Loss*\* with the covered reimbursement amount
  - Insured signs and submits *Proof of Loss*\*
  - IRF pays the insured

\* Proof of Loss is a signed, notarized statement of the facts surrounding a loss for which the insured is making a claim.

# Losses from Flood

- **Claims continue to be reported**
  - Some insureds are unaware of the damage sustained
  - Some insureds are slow to report
  - Loss assessment takes time
  - Staff is reaching out to gauge potential losses, but likely IRF will not know ultimate loss for some time

# Losses from Flood

- **Claims continue to be reported**
  - As of Nov 3<sup>rd</sup> -IRF had received 102 claims from 92 insureds involving 584 properties
    - 228 state properties
    - 71 county properties
    - 86 school district properties
    - 75 municipal properties
    - 124 political subdivision properties



# Losses from Flood

- **IRF will not know the financial impact until all claims have been received, processed and finalized**
  - At this point, we believe the cost to IRF will likely be limited to the Self-Insured Retention of \$10 million\*
  - If the total loss exceeds \$10 million, IRF will seek reimbursement from the property reinsurance markets

\* This is an indication of the insured losses. This does not reflect the total loss to an agency. Example: Lost productivity, loss of property IRF does not insure – like roads, etc.

# Impact to Rates

- **We received questions from W&M staff including whether the IRF will need to increase rates as a result of this loss**
- **At this juncture, it is too early to predict**

# Impact to Rates

- **IRF tries to keep its rates as stable as possible to prevent budget swings for the governmental entities it insures**
  - IRF will absorb flood-related losses through its policyholder equity and reinsurance market reimbursement
  - Any rate change would be based on a variety of factors. Losses related to one event are only one consideration.